May 6, 1991
From: Keith
To: Peter
Re: Definition of Circulation Department Net (Provisional)

In order for the magazine to break even the Circulation Department must increase its net contribution. Given the realtively conservative nature of our original projections for 1991, the price increase for renewals and institutional subs which is now in effect, and the commitment from the organization to both increase resources for circ. promotion and make way for creative promotion opportunities which have been disallowed in the past (eg. price testing, renewal billing and exchange cards) meeting the goal described below seems possible.

As discussed with Kelly, there will be a clear proposal from him (after his return) for a substantial monetary incentive to be paid to the Circ. Dir. and to others in the business departments if this goal is met.

The Net Profit to Point from the Circulation Dept. is the net of income and expenses from the following budget categories:

CIRCULATION INCOME
- Subscriptions
  - Renewal Sub Sales
  - New Sub Sales
  - Change in
  - Sub Liability *
- Newsstand
  - Direct Distribution Sales
  - Warner Sales
- Mailing List
  - Mailing List Sales

CIRCULATION EXPENSES
- Subscription Fulfillment
  - Sub Fulfillment Expenses
  - Sub Fulfillment Postage
  - Sub Premium Offers
  - MacSub Fulfillment Pay
  - MacSUB
  - Fulfillment OPS
  - WER Billing Expense
  - Credit Card Discount
  - Sub Fulf. Direct Payroll O/H
- Magazine Printing
  - Printing WER
- Circulation & Promotion
  - Circulation Pay
  - Circulation OPS
  - Circulation Promo Expenses
  - Renewal Expenses
  - WER Insert Expenses
  - Circ.-Related Production Pay
  - Circ. Direct Payroll O/H
- Newsstand
  - Direct Distribution Expenses
  - Warner Expenses
- Mailing List
  - Mailing List Fulfillment

* Increased Sub Liability due to sales of new subs above 1990 levels will not count toward the net for purposes of this calculation. The exact formula for this will need to be owrked out. Changes in sub liability due to accounting corrections and other non-income related effects will also not count.

The goal for the Circ. Dept. Net for 1991 is $410,000.